

Message Text

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ORIGIN EB-07

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EB/FSE:PBARBIAN

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FM SECSTATE WASHDC

TO AMEMBASSY OTTAWA

INFO USDEL MTN GENEVA

AMCONSUL CALGARY BY POUCH

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E.O. 11652: N/A

TAGS: ETRD, MTN, CA

SUBJECT: AMBASSADORS CALL ON ALBERTA PREMIER LOUGHEED:

U.S. TARIFFS ON PETROCHEMICALS AND BOXED BEEF

REF: OTTAWA 3366

IN TALKS WITH PREMIER LOUGHEED YOU MAY DRAW ON THE
FOLLOWING POINTS:

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1. MTN:

A) THE USG ATTACHES GREAT IMPORTANCE TO THE ADOPTION OF AN ACCEPTABLE TARIFF CUTTING FORMULA IN THE MTN TO PERMIT AN ACROSS-THE-BOARD REDUCTION OF TARIFFS BY ALL MAJOR PARTICIPANTS.

B) WITHIN THE FRAMEWORK OF SUCH A FORMULA WE EXPECT THAT TARIFF CONCESSIONS MADE BY THE U.S. WILL BE BALANCED BY RECIPROCAL CONCESSIONS FROM SUPPLIER COUNTRIES, INCLUDING CANADA.

C) OUR STRONG PREFERENCE IS FOR RECIPROCAL TARIFF CONCESSIONS IN THE MTN CONTEXT RATHER THAN IN SEPARATE BILATERAL AGREEMENTS, SINCE ANY U.S. CONCESSIONS WOULD BE APPLIED ON AN MFN BASIS IN ANY EVENT, AND WOULD BENEFIT SEVERAL COUNTRIES OTHER THAN CANADA.

D) WHILE IN THE FIRST INSTANCE WE WILL SEEK RECIPROCITY IN THE TARIFF CONTEXT, THE FINAL TEST WILL BE OVERALL RECIPROCITY. INDEED THE TRADE ACT INSTRUCTS THE ADMINISTRATION TO SEEK CONCESSIONS IN NON-TARIFF AREAS. THE DISCUSSIONS IN GENEVA HAVE NOT REACHED THE STAGE WHERE SPECIFIC CONCESSION OFFERS ARE BEING PUT FORWARD, AND THUS WE DO NOT KNOW WHAT THE CANADIAN GOVERNMENT'S NEGOTIATING POSITION WILL BE. FROM OUR POINT OF VIEW, HOWEVER, WE WOULD BE PREPARED TO GIVE DUE CONSIDERATION TO ANY CANADIAN PROPOSAL ON NATURAL GAS, NATURAL GAS LIQUIDS, AND PETROLEUM PRODUCT SUPPLY ASSURANCES. BEGIN FYI: WE HAVE NO FEEDBACK AS YET FROM WESTERN GOVERNORS ON LOUGHEED APPROACH CITED REFTEL: END FYI.

2. PETROCHEMICAL TARIFFS:

A) THE U.S. NEGOTIATING POSITION ON SPECIFIC PETROCHEMICAL TARIFF REDUCTIONS IS STILL BEING STUDIED.

B) MOST OF THE SO-CALLED FIRST-ORDER PETROLEUM DERIVATIVE INCLUDING ETHYLENE, ALREADY ENTER THE US DUTY FREE.

C) PRESUMABLY ALBERTA IS INTERESTED IN PROMOTING US LIMITED OFFICIAL USE

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TARIFF REDUCTIONS ON SECOND-ORDER DERIVATIVES SUCH AS POLYETHYLENE AND VINYL CHLORIDE, WHERE CURRENT CANADIAN CONSUMPTION IS INADEQUATE TO SUPPORT OPTIMUM LEVELS OF PRODUCTION. BEGIN FYI: WE HAVE DOUBTS THAT ALBERTA AUTHORITIES HAVE ADEQUATELY CONSIDERED THE IMPLICATIONS FOR CANADA AS A WHOLE SHOULD THERE BE RECIPROCAL TARIFF CUTS ON THESE PRODUCTS. ANY GAINS REGISTERED BY ALBERTA INDUSTRY WOULD LIKELY BE BALANCED BY INCREASED U.S.

PENETRATION OF PETROCHEMICAL MARKETS IN EASTERN CANADA:
END FYI.

3. BOXED BEEF TARIFFS:

A) AS WITH PETROCHEMICALS, THE POSSIBILITY OF U.S. TARIFF

REDUCTION OFFERS ON BEEF PRODUCTS IS BEING STUDIED, BUT
RESISTANCE FROM THE DOMESTIC INDUSTRY IS SIGNIFICANT.

B) BOXED BEEF -- CUT, TRIMMED, WRAPPED AND READY FOR
RETAIL CONSUMPTION IS DUTIABLE AT 10 PERCENT AD VALOREM
WHEN IT IS VALUED AT MORE THAN 30 CENTS PER POUND, (TSUS
107.60), WHILE LARGER CHUNKS OF FRESH CHILLED OR FROZEN
BEEF WHICH REQUIRE MORE PROCESSING ARE DUTIABLE AT 3
CENTS PER POUND (TSUS 106.10).

C) WHILE THE FOREGOING TARIFF RATES ARE APPLIED ON AN
MFN BASIS AND ARE NOT THEREFORE DISCRIMINATORY, THEY
DIFFER FROM CANADIAN RATES WHERE ALL FRESH BEEF IS DUTI-
ABLE AT 3 CENTS PER POUND. SUCH DIFFERENCES IN TARIFF
TREATMENT ABOUND, AND ARE IN PART A RESULT OF DIFFERENT
TARIFF CLASSIFICATIONS. FOR EXAMPLE, CANNED BEEF
GENERALLY IS DUTIABLE IN THE U.S. AT 7.5 PERCENT AD
VALOREM AND AT 15 PERCENT IN CANADA. IT IS NOT U.S.
INTENTION TO SEEK TARIFF PARITY ON AN ITEM-BY-ITEM BASIS,
BUT RATHER TO SEEK, IN THE FIRST INSTANCE, RECIPROCITY
IN THE TARIFF CONTEXT AND, MORE IMPORTANTLY, ACHIEVEMENT
OF OVERALL RECIPROCITY AT THE END OF THE DAY IN
ALL ASPECTS OF THE NEGOTIATIONS. ROBINSON

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